

Department of Social and Health Services

DP Code/Title: M2-WB HIPAA Standard Transactions

Program Level - 030 Mental Health

Budget Period: 2003-05 Version: C2 030 2003-05 2004 Sup-Agency Req

Recommendation Summary Text:

This request is to fund an upgrade to specifically handle the Health Insurance Accountability and Portability Act (HIPAA) and the HIPAA implications to Mental Health Division (MHD) files and reporting structures. The objective is to have MHD compliant with federal regulations and able to accept transactions from the Regional Support Networks (RSNs) by the compliance deadlines. Statewide result number 5.

Fiscal Detail:

Operating Expenditures

	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Overall Funding			
001-1 General Fund - Basic Account-State	50,000	147,000	197,000
001-C General Fund - Basic Account-DSHS Medicaid Federa	50,000	148,000	198,000
Total Cost	100,000	295,000	395,000

Staffing

	<u>FY 1</u>	<u>FY 2</u>	<u>Annual Avg</u>
Agency FTEs	0.0	1.0	0.5

Package Description:

HIPAA was signed into law August 1996. This reform covers health care fraud and abuse prevention, medical liability reform, and administrative simplifications. This request is focusing on the standard electronic transactions and code sets by the implementation date of October 16, 2003. Health care organizations (health plans, health care providers, and health care clearing houses) must standardize electronic transactions between organizations. The Department of Social and Health Services functions as both a health plan and a health care provider (Western State Hospital, Eastern State Hospital and Child Study and Treatment Center).

After October 16, 2003, all electronic transactions must be in a standard fashion using new standard formats and code sets. These code sets are regularly updated. The intent is to increase the efficiency of processing health care financial transactions. All health care organizations, both public and private sector are required to comply. HIPAA data is necessary and required for the 2005 Actuary Study, utilizing Calendar Year 2004 data, as well as for internal reporting requirements.

The current batch processing system of the MHD and 14 RSNs need to be significantly upgraded to allow for the new HIPAA processing. The current legacy system is old and getting slow but it is running. The database, Intranet and statistical report portions of the MHD computer information system need to be reorganized and modified as well. Work on the database and reporting upgrade will be done concurrently and after the transaction processes are minimally compliant. This funding will provide contracted dollars to a vendor with technical expertise to guide MHD in the development, installation, programming and testing of a system upgrade. This funding will also support a project manager in the second year.

This expertise does not exist in MHD or Information System Services Division (ISSD) at the present time.

Narrative Justification and Impact Statement

How contributes to strategic plan:

This decision package meets the agency balanced scorecard goal of integrating and coordinating information systems.

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Performance Measure Detail

Goal: 28Z Integrate and coordinate information systems

Incremental Changes

FY 1

FY 2

No measures submitted for package

Reason for change:

Compliance with the new HIPAA laws is a federal mandate.

Impact on clients and services:

Compliance with HIPAA laws will allow clients to receive services at the current level.

Impact on other state programs:

HIPAA will affect all administrations across the department. Many health care organizations that interface with these organizations (such as the RSNs, Local Health Districts, County Health Departments, Indian Tribes, Area Agencies on Aging, and similar organizations) will be affected.

The affected organizations must alter their business models, operational procedures, and information systems to operate in a synchronized HIPAA compliant fashion, wherever standard transactions occur.

Relationship to capital budget:

Not applicable

Required changes to existing RCW, WAC, contract, or plan:

Some Washington Administrative Codes (WACs) may require modifications. All provider contracts, agreements, and billing instructions have been revised to address HIPAA requirements.

Alternatives explored by agency:

MHD was funded in the Fiscal Year 2003 supplemental to implement HIPAA. Unfortunately, the funding authority was received too late in the fiscal year to purchase most of the services, training and equipment to implement the new requirement. MHD planned to contract for services to implement HIPAA in Fiscal Year 2004. However, funding was not provided in the initial appropriation. MHD and ISSD do not have the expertise to run or program the new equipment purchased in Fiscal Year 2003. Funding is necessary to accomplish minimum compliance in Fiscal Years 2004 and Fiscal Year 2005.

Budget impacts in future biennia:

HIPAA will impact current and future biennial expenditures for MHD. Routine changes to the federal rule are anticipated. Initial and ongoing compliance will require changes in both business practices and information systems. The frequency and extent to which changes occur at the federal level will impact cost in future biennia.

Distinction between one-time and ongoing costs:

The funds requested are for one-time costs. However, ongoing costs will continue and include recurring expenditures associated with continued compliance and federal deadlines.

Effects of non-funding:

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Non-funding may result in a failure to comply with HIPAA requirements, which may jeopardize the Medicaid, Medicare and third-party reimbursements funding and potentially carry financial sanctions on a per-transaction basis.

Non-compliance with HIPAA laws puts federal funds at risk. If federal funds are reduced due to non-compliance, fewer clients will receive services. HIPAA data is necessary and required for the 2005 Actuary Study, utilizing Calendar Year 2004 data, as well as for internal reporting requirements. Non-compliance reduces the potential of properly conducting the study.

Expenditure Calculations and Assumptions:

See attachment - MHD M2-WB HIPAA Standard Transactions.xls

<u>Object Detail</u>		<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Overall Funding				
A	Salaries And Wages	0	63,000	63,000
B	Employee Benefits	0	12,000	12,000
C	Personal Service Contracts	100,000	200,000	300,000
E	Goods And Services	0	9,000	9,000
J	Capital Outlays	0	10,000	10,000
T	Intra-Agency Reimbursements	0	1,000	1,000
Total Objects		100,000	295,000	395,000
<u>DSHS Source Code Detail</u>		<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Overall Funding				
Fund 001-1, General Fund - Basic Account-State				
<u>Sources</u>	<u>Title</u>			
0011	General Fund State	50,000	147,000	197,000
Total for Fund 001-1		50,000	147,000	197,000
Fund 001-C, General Fund - Basic Account-DSHS Medicaid Federa				
<u>Sources</u>	<u>Title</u>			
19UL	Title XIX Admin (50%)	50,000	148,000	198,000
Total for Fund 001-C		50,000	148,000	198,000
Total Overall Funding		100,000	295,000	395,000